
HOUSE BILL 2573

State of Washington

59th Legislature

2006 Regular Session

By Representatives Morrell, Wallace, Clibborn, Cody, Flannigan, Simpson, Green, Ormsby, Springer, Kilmer, Moeller, Kagi and Conway; by request of Governor Gregoire

Read first time 01/10/2006. Referred to Committee on Health Care.

1 AN ACT Relating to health information technology; amending RCW
2 41.05.021 and 41.05.075; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** (1) The legislature recognizes that
5 improvements in the quality of health care lead to better health care
6 outcomes for the residents of Washington state and contain health care
7 costs. The improvements are facilitated by the adoption of electronic
8 medical records and other health information technologies.

9 (2) It is the intent of the legislature to encourage all hospitals
10 in the state of Washington to adopt health information technologies by
11 the year 2012.

12 **Sec. 2.** RCW 41.05.021 and 2005 c 446 s 1 are each amended to read
13 as follows:

14 (1) The Washington state health care authority is created within
15 the executive branch. The authority shall have an administrator
16 appointed by the governor, with the consent of the senate. The
17 administrator shall serve at the pleasure of the governor. The
18 administrator may employ up to seven staff members, who shall be exempt

1 from chapter 41.06 RCW, and any additional staff members as are
2 necessary to administer this chapter. The administrator may delegate
3 any power or duty vested in him or her by this chapter, including
4 authority to make final decisions and enter final orders in hearings
5 conducted under chapter 34.05 RCW. The primary duties of the authority
6 shall be to: Administer state employees' insurance benefits and
7 retired or disabled school employees' insurance benefits; administer
8 the basic health plan pursuant to chapter 70.47 RCW; study state-
9 purchased health care programs in order to maximize cost containment in
10 these programs while ensuring access to quality health care; and
11 implement state initiatives, joint purchasing strategies, and
12 techniques for efficient administration that have potential application
13 to all state-purchased health services. The authority's duties
14 include, but are not limited to, the following:

15 (a) To administer health care benefit programs for employees and
16 retired or disabled school employees as specifically authorized in RCW
17 41.05.065 and in accordance with the methods described in RCW
18 41.05.075, 41.05.140, and other provisions of this chapter;

19 (b) To analyze state-purchased health care programs and to explore
20 options for cost containment and delivery alternatives for those
21 programs that are consistent with the purposes of those programs,
22 including, but not limited to:

23 (i) Creation of economic incentives for the persons for whom the
24 state purchases health care to appropriately utilize and purchase
25 health care services, including the development of flexible benefit
26 plans to offset increases in individual financial responsibility;

27 (ii) Utilization of provider arrangements that encourage cost
28 containment, including but not limited to prepaid delivery systems,
29 utilization review, and prospective payment methods, and that ensure
30 access to quality care, including assuring reasonable access to local
31 providers, especially for employees residing in rural areas;

32 (iii) Coordination of state agency efforts to purchase drugs
33 effectively as provided in RCW 70.14.050;

34 (iv) Development of recommendations and methods for purchasing
35 medical equipment and supporting services on a volume discount basis;

36 (v) Development of data systems to obtain utilization data from
37 state-purchased health care programs in order to identify cost centers,

1 utilization patterns, provider and hospital practice patterns, and
2 procedure costs, utilizing the information obtained pursuant to RCW
3 41.05.031; and

4 (vi) In collaboration with other state agencies that administer
5 state purchased health care programs, private health care purchasers,
6 health care facilities, providers, and carriers(~~(τ)~~):

7 (A) Use evidence-based medicine principles to develop common
8 performance measures and implement financial incentives in contracts
9 with insuring entities, health care facilities, and providers that:

10 ~~((A))~~ (I) Reward improvements in health outcomes for individuals
11 with chronic diseases, increased utilization of appropriate preventive
12 health services, and reductions in medical errors; and

13 ~~((B))~~ (II) Increase, through appropriate incentives to insuring
14 entities, health care facilities, and providers, the adoption and use
15 of information technology that contributes to improved health outcomes,
16 better coordination of care, and decreased medical errors;

17 (B) Through state health purchasing, reimbursement, or pilot
18 strategies, promote and increase the adoption of health information
19 technology systems, including electronic medical records, by hospitals
20 as defined in RCW 70.41.020(4), that:

21 (I) Facilitate diagnosis or treatment;

22 (II) Reduce unnecessary duplication of medical tests;

23 (III) Promote efficient electronic physician order entry;

24 (IV) Increase access to health information for consumers and their
25 providers; and

26 (V) Improve health outcomes;

27 (C) Coordinate a strategy for the adoption of health information
28 technology systems using the final health information technology report
29 and recommendations developed under chapter 261, Laws of 2005.

30 (c) To analyze areas of public and private health care interaction;

31 (d) To provide information and technical and administrative
32 assistance to the board;

33 (e) To review and approve or deny applications from counties,
34 municipalities, and other political subdivisions of the state to
35 provide state-sponsored insurance or self-insurance programs to their
36 employees in accordance with the provisions of RCW 41.04.205, setting
37 the premium contribution for approved groups as outlined in RCW
38 41.05.050;

1 (f) To establish billing procedures and collect funds from school
2 districts (~~(and educational service districts under RCW 28A.400.400)~~)
3 in a way that minimizes the administrative burden on districts;

4 (g) To publish and distribute to nonparticipating school districts
5 and educational service districts by October 1st of each year a
6 description of health care benefit plans available through the
7 authority and the estimated cost if school districts and educational
8 service district employees were enrolled; (~~and~~)

9 (h) To apply for, receive, and accept grants, gifts, and other
10 payments, including property and service, from any governmental or
11 other public or private entity or person, and make arrangements as to
12 the use of these receipts to implement initiatives and strategies
13 developed under this section; and

14 (i) To promulgate and adopt rules consistent with this chapter as
15 described in RCW 41.05.160.

16 (2) On and after January 1, 1996, the public employees' benefits
17 board may implement strategies to promote managed competition among
18 employee health benefit plans. Strategies may include but are not
19 limited to:

20 (a) Standardizing the benefit package;

21 (b) Soliciting competitive bids for the benefit package;

22 (c) Limiting the state's contribution to a percent of the lowest
23 priced qualified plan within a geographical area;

24 (d) Monitoring the impact of the approach under this subsection
25 with regards to: Efficiencies in health service delivery, cost shifts
26 to subscribers, access to and choice of managed care plans statewide,
27 and quality of health services. The health care authority shall also
28 advise on the value of administering a benchmark employer-managed plan
29 to promote competition among managed care plans.

30 **Sec. 3.** RCW 41.05.075 and 2005 c 446 s 2 are each amended to read
31 as follows:

32 (1) The administrator shall provide benefit plans designed by the
33 board through a contract or contracts with insuring entities, through
34 self-funding, self-insurance, or other methods of providing insurance
35 coverage authorized by RCW 41.05.140.

36 (2) The administrator shall establish a contract bidding process
37 that:

1 (a) Encourages competition among insuring entities;
2 (b) Maintains an equitable relationship between premiums charged
3 for similar benefits and between risk pools including premiums charged
4 for retired state and school district employees under the separate risk
5 pools established by RCW 41.05.022 and 41.05.080 such that insuring
6 entities may not avoid risk when establishing the premium rates for
7 retirees eligible for medicare;
8 (c) Is timely to the state budgetary process; and
9 (d) Sets conditions for awarding contracts to any insuring entity.
10 (3) The administrator shall establish a requirement for review of
11 utilization and financial data from participating insuring entities on
12 a quarterly basis.
13 (4) The administrator shall centralize the enrollment files for all
14 employee and retired or disabled school employee health plans offered
15 under chapter 41.05 RCW and develop enrollment demographics on a plan-
16 specific basis.
17 (5) All claims data shall be the property of the state. The
18 administrator may require of any insuring entity that submits a bid to
19 contract for coverage all information deemed necessary including:
20 (a) Subscriber or member demographic and claims data necessary for
21 risk assessment and adjustment calculations in order to fulfill the
22 administrator's duties as set forth in this chapter; and
23 (b) Subscriber or member demographic and claims data necessary to
24 implement performance measures or financial incentives related to
25 performance under subsection (7) of this section.
26 (6) All contracts with insuring entities for the provision of
27 health care benefits shall provide that the beneficiaries of such
28 benefit plans may use on an equal participation basis the services of
29 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
30 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered
31 nurses and advanced registered nurse practitioners. However, nothing
32 in this subsection may preclude the administrator from establishing
33 appropriate utilization controls approved pursuant to RCW 41.05.065(2)
34 (a), (b), and (d).
35 (7) The administrator shall, in collaboration with other state
36 agencies that administer state purchased health care programs, private
37 health care purchasers, health care facilities, providers, and
38 carriers((τ)):

1 (a) Use evidence-based medicine principles to develop common
2 performance measures and implement financial incentives in contracts
3 with insuring entities, health care facilities, and providers that:

4 ~~((a))~~ (i) Reward improvements in health outcomes for individuals
5 with chronic diseases, increased utilization of appropriate preventive
6 health services, and reductions in medical errors; and

7 ~~((b))~~ (ii) Increase, through appropriate incentives to insuring
8 entities, health care facilities, and providers, the adoption and use
9 of information technology that contributes to improved health outcomes,
10 better coordination of care, and decreased medical errors;

11 (b) Through state health purchasing, reimbursement, or pilot
12 strategies, promote and increase the adoption of health information
13 technology systems, including electronic medical records, by hospitals
14 as defined in RCW 70.41.020(4), that:

15 (i) Facilitate diagnosis or treatment;

16 (ii) Reduce unnecessary duplication of medical tests;

17 (iii) Promote efficient electronic physician order entry;

18 (iv) Increase access to health information for consumers and their
19 providers; and

20 (v) Improve health outcomes;

21 (c) Coordinate a strategy for the adoption of health information
22 technology systems using the final health information technology report
23 and recommendations developed under chapter 261, Laws of 2005.

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